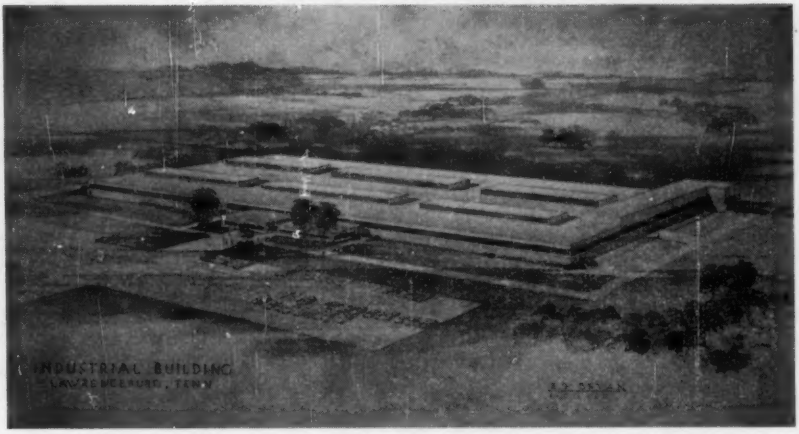
TAX POLICY

THE PLANT, THE OFFICE, AND THE CITY

PART II. INDUSTRIAL LOCATION IMPACTS



The First National Bank, Lawrenceburg, Tennessee

INDUSTRIAL BUILDING, LAWRENCEBURG, TENNESSEE

TAX INSTITUTE
Incorporated

457 NASSAU STREET PRINCETON, N. J.

Volume XXIII, Nos. 2-3

February-March, 1956
Single copies, 75 cents
Bulk order, $20 per 100

CONTENTS

	PAGE
EFFECT OF INDUSTRIAL LOCATION ON POPULATION PATTERNS	3
Industrial Location and Population Patterns	4
Industrial Location and Community Wellbeing	6
Unwanted Industries	6
Evaluating the Industrial Impact	8
IMPACT OF INDUSTRIAL LOCATION ON GOVERNMENT FINANCE	9
Effect on Governmental Expenditures	9
Effect on Governmental Revenues	10
Qualifications	12
COMPETITION FOR INDUSTRIAL PLANTS	12
Persuasion	13
Governmental Subsidies	14
Tax Exemption	15
An Overlooked Advantage of Tax Exemption	20
General Tax Considerations	21
Direct Governmental Subsidies	22
Self-Improvement Programs	25
Industrial Foundations	27
Industrial Parks	29
The Role of the Utilities	31
Battle of the Ads	31

ILLUSTRATIONS

INDUSTRIAL BUILDING, Lawrenceburg, Tenn.	Cover
NASHUA MILLS, Nashua, N. H.	5
THE NEW ENGLAND INDUSTRIAL CENTER, Needham, Mass.	29

Cover Illustration: Architect's sketch of $2,000,000 Industrial Building financed under the 1951 Municipal Industrial Revenue Bond Act. This was built for the Lawrenceburg plant of the Murray Ohio Manufacturing Company. Products: Bicycles and velocipedes.

ACKNOWLEDGMENTS

We wish to acknowledge helpful information obtained from Mr. George I. Whitlatch, Executive Director, Tennessee Industrial and Agricultural Development Commission; Mr. Frank H. Stedman, Assistant–Manufacture Department, Chamber of Commerce of the United States; Mr. Jarvis M. Thayer, Jr., Manager, Research and Statistics Department, Federal Reserve Bank of Boston; Mr. Lucien Caperton, President, First National Bank of Lawrenceburg, Tennessee; Mr. H. M. Conway, Jr., Editor, *Industrial Development;* and Mr. Jay A. Schliakjer, Cabot, Cabot & Forbes Co.

(Continued on page 36)

The Plant, The Office, and The City

MABEL WALKER

Executive Director, Tax Institute, Incorporated

PART II. INDUSTRIAL LOCATION IMPACTS

CURRENT trends and factors in industrial location were summarized briefly in Part I of this study. These industrial developments both condition, and are conditioned by, governmental activity. Just as in Part I the emphasis was on the industrial side of the picture, so in Part II the emphasis is on governmental aspects of these developments.

EFFECT OF INDUSTRIAL LOCATION ON POPULATION PATTERNS

The various types of industrial decentralization taking place will not necessarily or uniformly result in urban decentralization. This is particularly true if urban decentralization is to be interpreted within the framework of rigid census classifications or erratic governmental boundaries. Yet it is only along such artificial lines that statistical data can be obtained.

One must guard, on the one hand, against conclusions derived from scattered observations, specious reasoning, and a biased approach, and on the other hand, against the equally grave dangers involved in conclusions based on elaborate statistical surveys cast into patterns of definition and tabulation that would tend to obscure significant and vital factors, particularly those of recent origin.

It is highly important that all pertinent data be subjected to penetrating analysis. It is equally important that careful attention be given to study of what may be considered the life forces in this field—the factors that affect location and the current and potential developments that will alter these factors. In a rapidly changing industrial scene a statistical analysis of what happened in the runaway twenties, the depressed thirties, the war forties, and the postwar fifties, will not necessarily indicate what will happen in the decades just over the horizon when such currently new concepts as automation, atomic energy, solar energy, and other developments, will conceivably be markedly and rapidly changing the patterns of industry and of living.

Moreover, attention must not be focused exclusively upon the city, or metropolis, or even the suburban ring. The entire pattern of populated places is undergoing a profound change. The older patterns of more or less compact population centers, both large and small, around nuclei of work and other congregational establishments, is giving way to a vastly looser and more complex pattern, in which one individual person becomes a part of many communities and also in which the loci of loyalties and civic responsibilities become extremely blurred.

The industrial location trend constitutes only one of the present forces bringing about this alteration of community patterns. It is, however, a potent one.

Notwithstanding the fact that the worker can commute ever longer distances from home to job, the fact remains that this stretching-out process has limits. The industrial developments sketched in Part I of this publication have had profound effect on population patterns, but they have been accorded surprisingly little recognition by economists, sociologists, and city planners. Of these groups, the city planners appear to be most aware of, and the economists least interested in, what is transpiring. Nowhere, however, does there appear to be an overall awareness of the profound changes that are taking place, and that appear to be about to take place, in the American way of life.

Industrial Location and Population Patterns

Factors and patterns of industrial location must be considered highly flexible. Not that the old factors are not still preëminent, but the location that is hampered today with respect to a particular factor may, due to scientific or other developments, even become relatively advantaged thereto in a few years. For example, air conditioning has removed much of the climatic disadvantage that formerly affected both worker output and industrial processes in some sections of the South. The general use of air conditioning in some of these areas even gives them a certain advantage over sections where air conditioning is in the luxury, rather than the necessity, class. The diffierential advantages in the factors of location are subject to constant change.

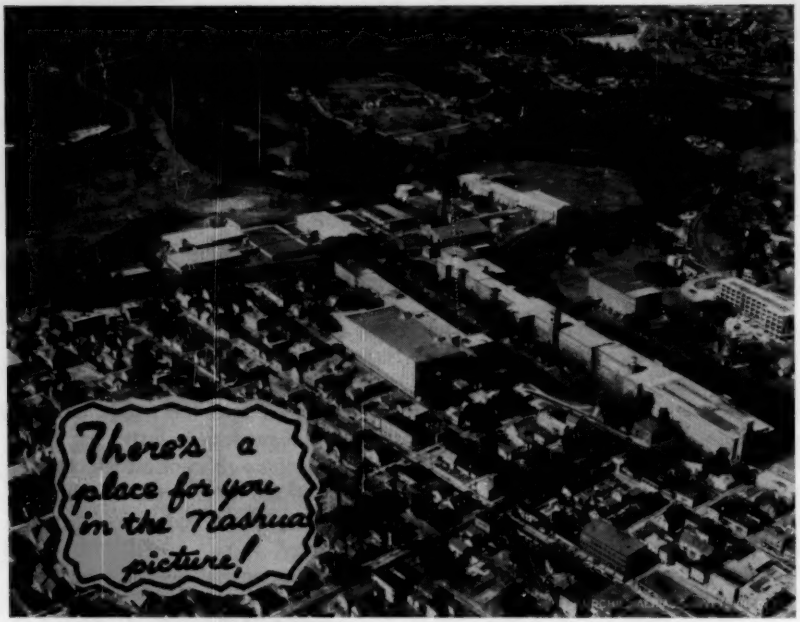
Even the most cursory examination of this subject indicates that many diverse factors are at work affecting the location of industry, and that they vary greatly from industry to industry. Most of these factors tend to favor decentralization, if we use that term in an inclusive sense. But the cities are affected in various ways by this decentralization.

A policy of decentralization adopted by a leading steel company when it sets up branch plants in various cities other than the parent city, or a policy of decentralization followed by the textile industry when manufacturers shift from New England cities to southern cities[1] would not give any statistical indication of urban decentralization. It would merely mean that one city would gain an industry and population at the expense, potential or present, of another. Moreover, conceivably an offsetting transfer could be taking place in an opposite direction.

When a new manufacturing city is built up out of rural areas almost over night, as was done in lower Bucks County on the Delaware, the final result also does not show statistical evidence of urban decentralization. Indeed, in the census data, it would appear to be quite the contrary, since a large rural area has now become urban.

Nevertheless, changes of all three of the above types are likely to have profound significance for the future of the city in American life for it means

[1] To the extent that such manufacturers locate in rural rather than urban areas, urban decentralization would, of course, take place.



Nashua-New Hampshire Foundation

NASHUA MILLS

"Nashua Mills" properties purchased by Nashua-New Hampshire Foundation now being leased and sold to new industries.

a general scattering of industrial enterprise in many directions and in many cities rather than extreme concentration in certain giant metropolises.

When, however, industries follow a policy of establishing branch plants—or even building new enterprises—in suburban fringes, in cities of 10,000 population or less, or in rural sections, a more clearcut portent of potential urban decentralization is apparent. Whether industrial decentralization takes the form of shifting established plants, setting up branch plants, or building outright new industries, may be less important to the future of the city than at first appears. It is true that the shift of an established plant brings the most acute anguish to the losing city, as evidenced, for example, by the loss of an Alexander Smith carpet factory to Yonkers (New York) in 1954, or the loss of Textron to Nashua (New Hampshire) in 1948. But a sudden wrench, which could conceivably galvanize a community to corrective measures, is not likely to be more deleterious in the long run, and perhaps is even less so, than a long drawn-out period of slow industrial deterioration, when local industries fail to develop and expand and new industries fail to move to the community.

Industrial Location and Community Wellbeing

There is such widespread competition for industrial plants and it is so generally assumed that they bring prosperity in their wake, it is surprising that more studies have not been made in which there is an attempt to indicate statistically the extent to which industrial expansion does benefit a community.

Unwanted Industries

It is also surprising that the community welcome to new industries, although widespread and general, is by no means universal. In some communities industries are given a negative or hostile reception and may even be deliberately barred from location.

It is easy to understand why certain types of industrial enterprises would be regarded with disfavor. For example, those that are noisy, noxious, air and stream polluting, or hazardous, would range from nuisances to outright detriments, depending upon the degree to which they possessed these objectionable characteristics. Only a relatively small proportion of modern industry has these drawbacks to any appreciable extent, however. In these days of architecturally beautiful and well landscaped industrial plants, the drawback of physical unattractiveness need not be pertinent. Nevertheless, some communities manifect an antagonistic attitude toward industry per se.

Some years ago the story was frequently told in Roanoke, Virginia, that when the Norfolk & Western Railroad management desired to build a railroad yard in nearby Salem, the Salem City Fathers got wind of the project and went fishing on the day the railroad executives arrived to discuss the matter. This so angered the railroad men that they established the railroad yard in Roanoke which was then not much more than a salt lick for cattle, whereupon Roanoke spurted in a matter of decades to a city of 60,000 and Salem remained much as it was. The writer has never heard the Salem version of the story. It may be they were well content with their status and never regretted the momentous fishing trip of the Salem solons. Nor does the writer have any information concerning subsequent trends in respective per capita incomes and increments of happiness (shades of Jeremy Bentham!) in the two communities.

In recent years the Sourland Mountain community (eight or ten miles from Princeton, New Jersey), or at least certain vocal elements of the community, have been openly hostile to the proposed location of a Minnesota Mining & Manufacturing Company granule manufacturing plant and quarry in that vicinity. Local opposition[2] appears to be based on two main claims. First, the area is a particularly beautiful residential site and is within only one hour's commuting distance from both New York and Philadelphia. Second, the industry is sinking deep wells which may jeopardize the water supply of farmers and residents in the area.

The community is divided in its opposition, however. According to the local

[2] It is claimed that 960 persons out of some 1,200 local residents signed a petition against bringing this type of industry into the township.

press, other residents claim that the development of the township is almost completely residential, which results in increasing school costs and consequently higher tax rates, and that there is a rapid growth of small home developments and it is "imperative that we offer some of these people employment within our township boundaries."[3]

Somewhat the same pattern of controversy prevails in some other areas. Fairfield County, Connecticut, is a well known and outstanding example of a community that regards industrial development with a jaundiced eye. Connecticut state officials complain that

> . . . such towns as Darien, New Canaan, Wilton, Westport, Greenwich and other of the lower-tier commuter suburbs are so intent on preserving their rural charm that they are preventing normal development.
>
> This attitude, they contend, is economically unhealthy—for the state, for the county and for the communities themselves. . . .
>
> In the Fairfield County communities outside the central cities of Bridgeport and Stamford, the feeling generally is that the county's rural charm must be maintained at practically any cost—even at the cost of excessively high taxes. And they argue that each locality has a right to decide what it shall be. Most of them have made their decisions. It is to limit if not to prevent altogether the intrusion of light industry, and to zone rigorously the residential areas.
>
> . . . Charles P. Smith, head of the American Institute of Planners and a planning consultant for this exclusive community [Darien] . . . has this to say regarding state criticism of town exclusiveness:
>
> "A great many people seem to think that because an area is situated on the main line of traffic it must resign itself to a poorer type of development. We don't hold with that theory. Every community must decide for itself what kind of a community it wants to be. It does not have to be what other people want it to be.
>
> "The real issue is this: How important economically is industry to a community? I don't think that the value of industry in relieving the tax burden has been shown so conclusively that a flat statement can be made about it. The other issue is: Are you going to have state determination or local determination?"[4]

In a report presented to the Greenwich Town Meeting last September, it was charged that the "fundamental character" of Greenwich is being threatened by the recent industrial influx. The report made these points: that industry brings in large numbers of low-income families who cannot pay their share of the tax burden; that industrial wages, in many cases, are not high enough to enable these workers to "own or rent satisfactory dwellings;" that the town's health, welfare, and educational facilities are not adequate to cope with an increased worker population; and that public and private housing projects—needed if the industrial march continues—will not pay their own way and will become a town liability.

The report declares that Greenwich has historically been an "attractive and much sought place of residence with little industry," and adds:

> Now, with increasing tax levies, which would occur in some degree, we believe, with or without industry but in much lesser degree without industry, it is urged by some

[3] *The Princeton Herald*, July 27, 1955, and August 10, 1955.

[4] Robert S. Bird, "The Flight to the Suburbs," *New York Herald Tribune*, May 5, 1955.

that we scrap our past aims and that we become more and more like other towns with industry in the mistaken belief that somehow it will keep taxes down.[5]

The report was criticized by the Greenwich Chamber of Commerce and supported by the Greenwich Taxpayers Association.

Similar controversies concerning the influx of industry are taking place in other communities and other states.

Evaluating the Industrial Impact

Numerous statistical studies have been made which show that overall and per capita incomes are higher in countries that are more highly developed industrially than in those that are relatively undeveloped. Similar statistics are available with respect to regions in this country. The same conclusions could be drawn with respect to urban communities if such communities represented integrated economic entities. Since, however, this is frequently far from being the case, the problem of ascertaining the impact of industry upon any particular community is much more complex.

What does industry offer a community? First and foremost, an *opportunity* for the people of the community *to earn a living* and for their sons and daughters as they grow up to get a job in the home town. There are many sections of the country where a majority of the young persons must move away in order to find a means of livelihood. Moreover, a thriving industry will attract new population to the community.

Second, industry brings an *increase in per capita incomes,* not only because of the wages paid to actual employees, but also because of industry's purchases in the community and the general stimulus to commercial and service establishments.

The benefits of industry to the economy of a community are too commonly measured solely in terms of payrolls and employment. Actually, the contributions of industry are extensive and varied. A highly significant but frequently overlooked aspect of industrial operations is the exchange of materials and services between manufacturing plants within any specific area. This inter-industry flow of business is excellently illustrated by the opeartions of Du Pont & Co.

In 1950, Du Pont & Co. purchased a total of $6,100,000 in materials and services from 1,245 Tennessee companies for the operation of its Old Hickory and Chattanooga plants. . . .

In an extension of this analysis, Du Pont & Co.'s figures for seven of its plants in Virginia, West Virginia, and Kentucky show that more than $43,000,000 worth of materials and services were bought last year from 2,113 separate suppliers in those three states, most of them small businesses.[6]

The Area Development Division of the Department of Commerce has sponsored two studies designed to obtain information on the effects of industrial

[5] *The New York Times,* September 6, 1955.

[6] "What Industry Means to a Community," *Tennessee Industrial Planning Newsletter,* November 1, 1951.

[7] U. S. Department of Commerce, Office of Technical Services, *What Will Industry Mean to My Town?* A summary of two case studies on the impact of new industry on small towns. 1955.

development on communities.[7] One study deals with the location in 1937 of a large textile-chemical plant by American Viscose Corporation in Front Royal, Virginia, and the other with the establishment in 1952 of a metal fabricating plant and a magnet production plant in Edmore, Michigan, by General Electric Company.

Front Royal was a rural market town of 2,500 persons prior to the plant location. Warren County, in which it was located, had had a static population of about 8,000 persons for several decades. By 1946 American Viscose had invested $50 million in the plant and almost 4,000 persons were employed. From 1935 to 1945 the number of employees in manufacturing in the county increased from 532 to 3,158; wages paid from $301,861 to $6,532,984; retail sales from $1,602,000 to $11,568,000 (in 1948); wholesale sales from $460,000 to $9,768,000 (in 1948); and per capita income from $461 (1940) to $931. The 1950 Census showed a county population of 14,800. Nevertheless, as late as 1948 over half of the Viscose Company employees lived outside Warren County.

The two General Electric plants in Edmore represented an investment of approximately $7 million. Prior to the location of the General Electric plant Edmore was an agricultural center of less than 1,000 population. Approximately 50 persons were employed in manufacturing. In September, 1953, the General Electric plant employed 285 persons. "Only 37 percent lived in Edmore. The rest were scattered in villages and on farms as far as 35 miles from Edmore. Sixty percent of the employees were at least 6 miles distant, though less than 20 percent commuted more than 12 miles."[8] General Electric officials estimated that $1 million in annual income was added to the area by their payrolls alone.

Impact of Industrial Location on Government Finance

Industrial expansion is likely to have a pronounced effect on both governmental expenditures and revenues and may also affect the debt status of a community.

Effect on Governmental Expenditures

Whether or not public money is spent in the effort to attract or encourage industrial development (which will be considered later), such development is likely to result in increased governmental expenditures. The variety and magnitude of these expenditures will depend upon the nature and extent of the development that takes place.

Increased Educational Costs. If the new enterprises attract workers to the community, it is likely that the increase in school population will be greater percentagewise than the increase in total population since the new workers will be of the age group most likely to have children of school age. Therefore, a disproportionate increase in school costs may be anticipated. Since education

[8] *Ibid.*, p. 15.

is the most expensive function of local government, this will be a vital fiscal consideration.

Transportation Facilities. Demands upon streets, highways, parking areas, and public transit will be augmented as a result of industrial development.

Water Supply and Sewage Disposal. These functions will be affected both as a result of industrial demands and also by the influx of any new workers who move into the community. Certain types of industries make heavy demands upon the water supply. There are informed forecasts that the water supply problem will become more critical all of the time. It is reported that certain communities in California are already turning away industries whose manufacturing processes require extraordinary amounts of water. Some industries finance their own water supplies, or give the local government special assistance in obtaining an adequate supply.

Fire and Police Protection. The cost of supplying such services increases disproportionately as population increases, so these costs are likely to increase even though the industries may provide themselves with a substantial amount of their own protection.

The Front Royal, Virginia, study offers specific data concerning increases in governmental expenditures:

> Gross expenditures for municipal functions tripled during the 10 years after Viscose's arrival. Town officials salaries increased, the police force was enlarged, and the electrical, sewerage, and fire departments increased in size. Water service costs increased more than 100 percent. The municipal debt was increased to finance needed extension of the water supply and sewerage systems. Because of annexation, large expenditures were necessary for new street paving, sidewalks, and curbing. . . .
>
> County expenditures also increased greatly. Gross expenditures rose 243 percent. Indebtedness increased and debt service charges increased, though not as fast as the debt itself. Education, the principal county function, caused most of the increased costs. The total number of pupils increased from 1,976 in 1934-35 to 3,079 in 1947-48. Operational costs of schools increased 262 percent for the period, compared to a statewide increase of 187 percent. Large capital outlays for new schools were necessary, but additional construction on a large scale remained to be carried out.[9]

Effect on Governmental Revenues

Industrial expansion also has a pronounced effect on governmental revenues. Many communities make no secret of the fact that they want industries to help pay the taxes. For example,

> In White Plains and Morristown the growth of commerce and industry is considered vital to broaden the tax base and take some of the load off the backs of residential taxpayers and existing business. In White Plains, owing to the influx of commerce and industry, taxes of business property now pay almost half the city's tax bill.[10]

and

> Real estate brokers and merchants in this New York commuters' town, a municipality that has bitterly opposed apartment houses and industrial projects, are considering a

---

[9] *Ibid.*, pp. 10, 11.

[10] Don Ross, "The Flight to the Suburbs," *New York Herald Tribune*, May 8, 1955.

proposal to Westfield officials that industrial development in outlying areas be encouraged as a buffer against rising taxes.[11]

So much has been written concerning the effect of taxes upon industry location (some of it based upon excellent studies, but much of it sheer unsubstantiated froth) that it seems amazing that there is almost nothing available concerning the effects of industrial location upon taxes. More and more items are appearing in the current press to the effect that *x* community badly needs industries in order to keep taxes down, so there appears to be a general belief that industrial expansion will produce higher tax yields and therefore permit a lowering of tax rates.[12] Yet to date researchers have not been concerned with substantiation of this thesis. There is almost no information on the subject.

Increase in Property Tax Collections. It appears obvious, however, that industrial expansion will increase governmental revenues. First, property tax collections should increase as a result of increased land values, resulting from increased demand for land first for industrial and later for residential, commercial, and other purposes. Second, the expansion, if of any substantial extent, will result in the addition of new buildings—industrial, residential, commercial, etc.—to the tax base. The increase in property tax collections will, of course, be conditioned by the efficiency of the tax assessing and tax collecting agencies. If personal property is taxable in the community, there should also result an increase in ratables.

Industrial effects upon property taxes should be evaluated with caution, however. The property tax is extraordinarily difficult to administer. Equitable assessement poses complex problems, Property tax administration is carried on locally, much of it by governmental units too small to administer the tax efficiently and equitably. Standards of administration vary greatly, not only between different regions of the country, but also between small local units within the same area.

If a small community which had had chronic under-assessment of properties should experience mushroom growth as a result of industrial development and should in the process acquire highly trained assessors, who followed a practice of full value assessment, the results of any comparison of revenues with those in previous years would be considerably distorted. The results would also have to be corrected to allow for any changes that might have taken place had the additional expansion not taken place. Because of the customary lag in property tax assessments, the full effect in property tax collections would not be apparent for a few years.

---

[11] *The New York Times,* July 17, 1949.

[12] There is certainly at least a measure of truth in the contention. The writer happens to live in the township which has the lowest taxes in the state of New Jersey, due to the location of two or three industrial plants in a rural area. Since, however, a large portion of the industrial workers live in other townships the complete picture of governmental services involved does not appear in the township which has the benefit of the industrial tax payments.

Increase in Income Tax Collections. It is likewise apparent that any industrial expansion that results in increased individual or corporate incomes will increase the yields of any state or local income taxes that may be in effect in the area.

Federal income tax collections in the area will also be increased. It would appear that this would represent a net gain to the Treasury to the extent that the area was one which enabled the industry to operate more profitably than it could in other sections of the country.

Increase in Sales and Excise Collections. It also seems obvious that industrial expansion would stimulate sales, both wholesale and retail, and that revenues from any general and selective sales taxes imposed in the area, by any level of government, would also increase.

Qualifications

The foregoing assumptions concerning both expenditures and revenues are subject to certain qualifications. If an industry moves to a small village, as in the case of the Front Royal and Edmore plant developments, where the labor force must be drawn largely from outside the village, and even from outside the county, it is obvious that the fiscal effects will be scattered and the village and county finances will reflect only a portion of the extra governmental costs and only a portion of the additional revenue resulting from the expansion.

In the absence of the necessary statistical data to support a conclusion, the writer is nevertheless tempted to hazard the guess that for urban communities substantial industrial expansion will not bring lower taxes, that instead it will result in increased demands for governmental services and consequently higher governmental expenditures, increased land values, generally increased property tax assessments, and increased tax rates.

What it seems likely to do, however, is to bring about the community prosperity that makes the higher taxes tolerable. Also, there may result a certain amount of redistribution of the property tax burden through reassessment and possible shifting of some of the burden from residences to business and industrial properties.

This entire subject needs considerable exploration.

Competition for Industrial Plants

One of the most obvious elements in the industrial location picture is the intense competition among cities, states, and regions for new industrial plants. Economic competition is no new phenomenon whether among countries, regions, cities, or individuals. But the tremendous current expansion of industry and its increasingly volatile nature are exciting feverish competition for new plants. Cities and states vie with each other in attracting new industries. They proclaim their virtues loudly. They offer various inducements.

Mississippi, which started the state sales tax movement of the thirties, was also the state which largely sparked the present sharp interstate industrial com-

petition with its BAWI (Balance Agriculture With Industry) campaign. A number of other southern states followed suit. States in other sections of the country put up a vigorous competitive struggle, but for the most part without resort to such generous financial inducements.

Present state and city competition for industry takes the following major forms:

Persuasion by stressing local advantages
Tax Inducements
Subsidies
Self-improvement

If industries do not find suitable locations, it is for no lack of activity on the part of state and city governments, chambers of commerce, industrial foundations, industrial developers, power companies, railroads and banks—all of which are deluging the prospective locator with offers of assistance and gratuitous information, or by industrial consultant services—with their not so gratuitous aid. Moreover, university research bureaus are also getting into the act in proffering information.

The present keen rivalry for new factories has been called a "war between the states." It might more aptly be called a war between the cities, or perhaps an urban-rural war.

Persuasion

Public and private organizations concerned with industrial development are legion. The federal government, many states, and some cities have departments of commerce. The Area Development Division, which is a subdivision of the United States Department of Commerce, is particularly active in getting out information relating to industrial location and in publicizing literature on the subject. State and local commerce departments concentrate on industrial developments in their own areas.

Chambers of commerce and other trade groups, found also on federal, state, and local levels, have functioned in the field for many years. The Chamber of Commerce of the United States is offering practical and helpful information to localities on how to attract industrial enterprises. Of particular and increasing significance during the past few years, have been the industrial foundations, also called community development corporations, which have been set up as regional, state, or local organizations to promote the industrial growth of the area represented.

University schools of business administration carry on a substantial amount of research relating to industrial development. This appears to be particularly true of state universities. According to a recent news item the University of Maine has notified state authorities that its research facilities will be available to any industries moving into the state.[13] In 1955 the University of Mississippi published a brochure on *Enriching Industry:* "The story of the actual and

[13] *The New York Times,* January 3, 1956.

potential role of the University of Mississippi in the industrial and commercial development of the state."

The prime objectives of these various agencies is selling the local community to the industrialist looking for a plant location. The least common denominator of the selling process may be nothing more substantial than windy self-praise. Such agencies, however, are increasingly following the practice of compiling factual information relating to the community's characteristics that would be essential information for plant location, and of making such information freely available upon demand. Some community agencies go even further and offer cooperation, loans, and services that may even extend to outright subsidies.

In sharp contrast to the generally persuasive notes that are being sounded toward new industries there are some occasional sharp notes of restraint in the attitude toward the migrating industry. Trade unions particularly have leaned toward coercive measures, For example, as a result of a complaint by the Pocketbook Workers Union of New York, arbitrator Theodore W. Kheel, impartial chairman of the pocketbook industry, ordered the Centra Leather Goods Corporation, which was in the process of moving from New York to Oklahoma, to return to New York as the union contract, due to expire July 15, 1959, forbids removal of the plant without written consent of the union. The company, which has been incorporated under Oklahoma laws, plans to fight the ruling.[14]

New York City garment workers won a severance pay arrangement on March 13, 1956, under a five-year, industry-wide agreement, that will give them one week's wages for each year of employment in the event their employer ceases business or moves his business out of the city.

Governmental Subsidies

Subsidies on the part of governments take on quite a different complexion from those offered by private groups.

Legality. First, there is doubt concerning the legality of such subsidies. In some areas they are prohibited by state law. Other states permit certain types of subsidization.

Ethics. Second, there is the matter of governmental ethics. A governmental subsidy is offered at the expense of all taxpayers, whether or not they individually approve. Many may have no interest in, nor derive any profit from, the industrialization. Some may even suffer competitive disadvantage as a result of the influx of new industry.

The argument, sometimes advanced, that it is unethical for one community to bait industry from another by subsidies, or otherwise, appears however to be largely superficial and specious. Sharp economic competition between individuals, between communities, and between countries, has gone on from time immemorial and will doubtless continue. Competition is an essentially healthy phenomenon. Certain practices in such competition are unethical and are frowned upon in civilized society. But any lack of ethics in the granting of in-

[14] *The New York Times,* January 9, 1956.

dustrial subsidies is more likely to exist in the effect on the home locality rather than on the outside area.

To begin with, an improverished community would not have it within its economic power to outbid other areas in offering such inducements. Morever, there is a sharply limiting internal factor in such subsidies. It is suicidal on the part of a community to offer more to industry than it will get in return. It appears that some of the subsidies offered have been unnecessary and others have been outright financial detriments. With further reference to ethics in regional competition, a declining area is more likely to be affected adversely by inducements offered by nongovernmental industrial foundations than by governmental subsidies. This is because the former indicate a more alert community and are likely to be more efficiently handled. Yet, there does not appear to be any imputation of unethical procedure on the part of such foundations, Nor does there appear to be any reason why there should be such an imputation.

The following news story illustrates a futile and meaningless passage-at-arms:

> Gov. Luis Munoz Marin has assured Senator John F. Kennedy, Democrat of Massachusetts, that Puerto Rico's tax-exemption program "will not be used to encourage any industry to move to Puerto Rico if that involves closing an industrial plant in any part of the United States."
>
> Senator Kennedy, in a recent series of Senate speeches on the economic problems of New England, said that "a complete exemption from all taxes, along with substandard wages, is unfairly luring industries in the United States to Puerto Rico, causing industrial dislocation and unemployment on the mainland."
>
> He read a letter from a Puerto Rican Government official to a Massachusetts textile operator offering complete tax exemption if the mill were moved to Puerto Rico.[15]

Of what significance is Governor Munoz Marin's promise not to "encourage" any industry to move. The Puerto Rican advertising of its tax-exemption attraction is so widespread that it seems likely that any but the most dull-witted industrialist would have heard of it and could if he desired arrange to move without waiting for a special letter of invitation or encouragement. Moreover, in many cases it would be impossible to say whether location of a plant in Puerto Rico would result in later closing a plant somewhere in the United States.

Political Motivation. Third, unworthy political considerations may influence the granting of such subsidies.

Inefficiency. Fourth, in the absence of the cauterizing effects of the profit motive and the use of private funds, such expenditures may not be subjected to the searching scrutiny that would be appropriate.

Tax Exemption

The most widely spread form of governmental subsidy is through tax exemption. It is also a practice that is hoary with antiquity. For example, 165 years ago Alexander Hamilton founded The Society for Establishing Useful Manufactures in Paterson, New Jersey. It received a perpetual tax exemption from

[15] *The New York Times,* August 28, 1953.

the state. The society failed as a manufacturing venture and became a renter of sites and water power. For nearly a century the city of Paterson tried to break the charter. Finally, in 1945, the city acquired for $450,000 the properties of the Society.

> The coporation's holdings included the ninety-foot Great Falls of the Passaic River, long sought by the city for the center of a park, and mill buildings and other industrial buildings now assessed at $1,400,000.[16]

The National Association of Assessing Officers has outlined the early history of industrial tax exemptions as follows:

> Early exemptions of industry from property taxation were found largely in the New England States. Although the public attitude toward such exemptions may have undergone little change, the spread of the industrial revolution southward and westward has at least enlarged the area over which they are prevalent. This development has been particularly evident since 1900. Within the last decade alone, Florida and Virginia have been added to the list of states granting immunity from property taxation to new manufacturing plants, while Alabama, Louisiana, Mississippi, and South Carolina have considerably broadened the scope of their exemption laws. Massachusetts and Ohio have given manufacturing machinery preferential tax status during this period, but New Hampshire has repealed a ten-year optional exemption law. Thus the Southern states have definitely supplanted New England as the center of industrial exemptions.[17]

The Association reported that in 1938 there were 16 states that permitted temporary exemption of newly located or newly constructed plants or plants of certain types. These states were:

Alabama	Georgia	Mississippi	Vermont
Arkansas	Kentucky	Oklahoma	Virginia
Delaware	Louisiana	Rhode Island	Wisconsin
Florida	Maryland	South Carolina	Wyoming

In 1949 the Association reported:

> Few changes have been made in the last decade to the laws pertaining to industrial exemptions. A Florida constitutional amendment passed in 1929 granted a 15-year exemption to specific industries, but provided that no exemption was to extend beyond 1948. In the new Georgia constitution, adopted in 1945, a provision allowing local governments to exempt new manufacturers for five years was omitted. Any exemption granted before the adoption of the new constitution was allowed to continue, but all exemptions expire in August 1950. In 1944, Virginia repealed a law that allowed local governments to grant a five-year exemption to new industries. A Wyoming exemption, passed in 1939, expired in 1944 that granted a five-year exemption to sugar beet manufacturers.[18]

The details of these exemptions vary in different states, but they are generally optional with the local governments, and the exemption is usually limited to

---

[16] *Ibid.*, October 25, 1945.

[17] *Exemption of Manufacturing Plants and Machinery from Property Taxation*, Bulletin No. 19, Chicago, 1938, p. 1.

[18] "Exemption and Preferential Taxation of Factories," *Assessors' News Letter*, XV (September, 1949), 73.

[19] National Association of Assessing Officers, *Exemption of Manufacturing Plants and Machinery from Property Taxation*, p. 4.

five or ten years.[19] Some of these provisions have been repealed or were allowed to expire.

Seven states now permit such exemptions. The states and the properties exempted are listed below. It should be pointed out, however, that this list does not include states permitting specified localities to exempt such properties.

Alabama

Ten-year exemption from date of completion, by authority of the Department of Revenue, for the following industries, factories or plants or extensions thereof, or additions thereto: spinning, knitting and weaving of cloth and yarn, pulp, pulp products, gold, graphite, manganese, salt, sulphur and tin mining, ship and airplane building, glass, light wood or metal products, ceramics, enameling, silica processing, farm implements, milk products, creameries, milk cooling stations, trade or commercial articles, or any other industry located within five miles of a rehabilitation colony.

Arkansas

Capital invested in textile mills in the state for a period of seven years from the date of the location of such mill.

Delaware

Property of motion picture studios utilized in connection therewith for a period of 15 years from the beginning of operation after July 1, 1937.

Louisiana

New manufacturing establishments or additions thereto, up to periods of ten years if not placed on assessment rolls for 1946 or prior years.

Mississippi

Specifically enumerated new factories and new enterprises for a period of five years from county taxes and ten years from municipal taxes;
Drilling rigs for the production of oil, gas, sulphur, salt or other minerals (after January 1, 1950).

Rhode Island

Property of manufacturers may be exempted by vote of the electors of towns or cities.

Vermont

Manufacturing establishments, quarries, mines and equipment, necessary for use in their business, are exempt if the amount invested exceeds $1,000 for a period not exceeding 10 years, if the town in which they are located so votes.

In addition to the above, New Hampshire permits exemption of any newly built portion of a railroad for 10 years. The above list does not of course include property that has been exempted because of the imposition of in lieu taxes.

There are, in addition to the above provisions relating to exemption of plants, exemptions of machinery, tools, and other personal property of companies in a large number of states. Since, however, the personal property tax is undergoing a gradual process of erosion from several directions and has completely disappeared in some states, such exemptions are less pertinent in connection with this subject.

The above data indicate that there has been a sharp decline in the number of states offering the tax-exemption bait. The fact that approximately half the states offering these inducements no longer do so, reinforces the conclusion that

some of these state practices that have so outraged other states have proved to be unfair mainly to their own citizens, in that they have given away something that it was apparently not necessary to give.

Louisiana has had one of the most widely publicized tax-exemption programs. The state constitution was amended on November 5, 1946, to provide that the State Department of Commerce and Industry, with the approval of the governor, may offer a ten-year property tax exemption of buildings and machinery on a new plant or an addition to an existing plant.

Fortunately, a scholarly analysis of the results of this provision has been made. In this study Professor William D. Ross concludes:

> Theoretical analysis and empirical evidence presented in this study coincide to support the widely held belief that the industrial property tax exemption will, under special circumstances, serve as the deciding influence upon the decisions of management to develop and to locate a new enterprise in Louisiana rather than in another state. In such a case, the added employment, income, business activity, and the new tax base thereby created in the community where the plant is located and in the State may well offset the direct and indirect costs of the exemption. Only in such a case, however, can an economic justification for the granting of the tax exemption be found. The results of this study indicate that such cases are very few in number, that exemptions cannot be so selectively employed, and that the cost in terms of lost revenue entailed in the granting of exemptions to all firms is great in proportion to results.
>
> . . . . . .
>
> It is possible that the Louisiana exemption program has aided the State in overcoming an unfavorable reputation in the industrial tax field and in manifesting a friendly attitude toward industry, which is one of the intangible factors that could influence locational decisions. But there are less expensive means of manifesting a favorable political climate for industry. Stable and sound state and local governments are themselves the best possible testimony to the existence of such a climate.[20]

The definitive study of industrial tax exemption has not yet been made—perhaps never will be made. Nevertheless, a number of valuable treatises dealing with limited aspects—historical, geographical, and theoretical—have been produced. The overwhelming tenor of these treatises has been highly critical, as indicated in the following quotations:

> Among the broader aspects of the problem, several observations are pertinent. First, state and local taxes constitute only a minor factor affecting the location of industry; exemption from them for a relatively short period could not logically be expected to produce any substantial results. Second, there is no available record of any significant area in which a large amount of industrialization has been induced by tax exemptions. Third, three of the southern states which have had exemptions have given them up; apparently results did not justify continuing them. Finally, the two southern states which have had the greatest industrial development—North Carolina and Texas—have never granted tax exemptions.[21]
>
> It is of interest that the cost of such exemptions is borne in part by economic enterprise already established. Thus, viewed from one standpoint, established business and industry grant a subsidy to induce new competition. In this instance, as in all other

---

[20] *Louisiana's Industrial Tax Exemption Program,* Baton Rouge: Louisiana State University, College of Commerce, Division of Research, 1953, pp. 47-48.

[21] Calvin B. Hoover and B. U. Ratchford, *Economic Resources and Policies of the South,* New York: The Macmillan Company, 1951, pp. 379-80.

cases, the amount of the exemption is not very nicely adjusted to the size of the subsidy which the state would be willing to grant directly; rather it is a crude instrument for aiding new enterprise at the expense, ordinarily, of earlier developed industry and commerce.[22]

Nevertheless, evaluation of the Puerto Rican tax-exemption program does point to somewhat modified conclusions. The crux of the Puerto Rican tax exemption inducement, however, is that the manufacturer gains *federal* in addition to state and local tax exemption. Governor Munoz Marin, the first gubernatorial incumbent by popular election replacing the Presidential appointment system, embarked on a vigorous industrialization program upon assuming office. New industries must save Puerto Rico in the next 20 years, or there would be chaos, he declared in July, 1949.[23] The main feature of this program is a 12-year tax-exemption provision.

According to a news story of February 10, 1956, Puerto Rico's economy has more than trebled since 1940. The annual gross product in 1955 was 354 per cent, net income 331 per cent, wages and salaries 395 per cent, banking assets 343 per cent, and per capita net income 255 per cent greater than in 1940. Unemployment, however, still continues to be serious, amounting to nearly 15 per cent of the labor force. The island government is now pushing power expansion, highway construction, housing, and major port improvements, in the hope of accelerating its industrial development.[24] Some of the mainland corporations that have recently established plants in Puerto Rico are Sunbeam Corporation, the Carborundum Company, Bostitch, Inc., Remington Rand, Inc., and Firth Carpet Company. General Electric is in the process of establishing a plant.

In granting permission for the following quotations, Professor Milton C. Taylor stated: "The only shortcoming that I see in the quotes is that I am much more critical of exemption than they would indicate."

The Commonwealth of Puerto Rico, a small dot in an archipelago of underdeveloped islands in the Caribbean, has lifted itself up "by the bootstraps" during the past ten years above the horizon of almost universal poverty. This economic metamorphosis is principally attributable to an embryonic industrial revolution in the form of an influx of over 300 mainland United States manufacturing firms.

. . . . . .

How tax exemption can be so universally maligned in public finance literature, and yet at the same time, ride the crest of congenial public support in a particular area, at once suggest the *raison d'etre* for an inquiry into the industrial tax exemption program in Puerto Rico. Briefly, the question at issue again—as it has been many times in the past—is whether industrial tax exemption is a saint or a sinner.

But although the plot is old, many of the stage settings are new. In the first instance, the Puerto Rican experience affords one of the best case studies of the use of a tax subsidy for promoting the industrial growth of an underdeveloped area. Secondly, tax exemption on the Island constitutes large-scale tax minimization. . . .

. . . Puerto Rico is the only part of the world that has the singular advantage of

---

[22] James W. Martin, "General Theory of Tax Exemption," *Tax Exemption*, New York: Tax Policy League, Inc. [now Tax Institute, Inc.], 1939, pp. 19-20.

[23] *The New York Times*, July 9, 1949.

[24] *Ibid.*, February 10, 1956 and March 5, 1956.

being within the tariff area of the mainland United States but is not subject to federal taxes. The effect of tax exemption in Puerto Rico differs from that in Mexico, therefore, because there are no barriers to the free movement of people, goods, or money between Puerto Rico and the mainland United States; while the effect would also be different from that in any area like Hawaii or Alaska, which are both subject to the United States income tax law. Puerto Rico, in other words, is a unique tax exemption case; it is the only area within the United States' economic and political complex in which it is possible for mainland entrepreneurs to obtain a virtually complete tax holiday for a limited period of time.

. . . . . .

The available evidence favors the conclusions that tax exemption has been strategic in encouraging most of the new firms to expand to Puerto Rico. There is no question that the officials responsible for the administration of the industrial development program are convinced that the tax subsidy is the most important attraction that Puerto Rico offers to mainland businessmen. Also, a systematic interview of 44 new operating tax-exempt firms out of approximately 200 of these businesses that were manufacturing as of January, 1953 indicates that the new investors consider the tax subsidy to be the most important factor in choosing the Island as a location. The only qualification which would appear to limit the importance of tax exemption is the likelihood that many of the excessively labor-oriented firms, which perhaps constitutes about one-fourth of the new grantees, would have come to Puerto Rico in the absence of the tax subsidy.

. . . . . .

The principal advantage of industrial tax exemption in Puerto Rico is that it has served as an effective inducement in attracting mainland capital. This effectiveness is derived from a unique conjuncture of economic, political, and psychological circumstances. But the aggregate cost of tax exemption, on the other hand, has been inordinately high. Much of the burden is in the nature of indirect effects and disguised social costs, some of which will have a delayed action in their impact.

. . . . . .

The Puerto Rican experience does not appear to justify the conclusion that the spread of industrial tax exemption throughout the underdeveloped areas of the world should be viewed with apprehension, but it does appear to at least constitute a caveat. It is evident that industrial tax exemption may be effective from the myopic view of a few particular areas, but wide-scale adoption would tend to nullify the unique advantages gained by the innovators, without at the same time eliminating the burdens for the whole group. And the experience in Peurto Rico indicates that these burdens can be substantial.[25]

The tax advantages of foreign location are also being publicized, as for example in the three following publications:

Diamond, Walter H. "Honduras: New Haven for American Investment," *Foreign Tax and Trade Briefs*, 1956, Matthew Bender & Company. 11 p.

Diamond, Walter H. "Liberia: How Incorporating in Liberia Saves Profits for You," *Foreign Tax and Trade Briefs*, 1956, Matthew Bender & Company. 8 p.

Landman, J. Henry. "Tax Inducements for Doing Business in Haiti," *Taxes*, XXXIII (August, 1955), pp. 567-78.

An Overlooked Advantage of Tax Exemption

There does appear to be an angle of the tax-exemption subsidy that is usually overlooked by the economists. Granted that outright subsidy might be

[25] Milton C. Taylor, "Industrial Tax Exemption in Puerto Rico," *National Tax Journal*, VII, December, 1954, pp. 359, 360, 360-61, 362-63, 370, 371.

less costly and granted also that a large part of the appeal in exemption is that it is concealed and therefore less likely to excite opposition, still it should be borne in mind that in an impoverished area it may be the only kind of substantial financial subsidy which is within the power of the community to offer. For the tax-exemption subsidy is largely paid in the future rather than in the present. It is mainly exemption of a tax upon new buildings and upon enhanced value of land. To the extent these increments of value may have taken place as a result of the tax-exemption feature, the community has lost only the tax upon the value of the property before the development took place. Moreover, even this may be many times offset by the resulting increases in the value of unsubsidized property.

Perhaps as strong a case can be made for subsidization of industry through exemption of new plants as for the somewhat parallel subsidization of housing through exemption of new structures, whether they be limited-dividend or government projects. This is not to argue, however, for either the one or the other. Nevertheless, desperate conditions sometimes require desperate remedies. An impoverished backward community may find it temporarily expedient to resort to devices that would be disadvantageous in the long run or in a more economically advanced community.

General Tax Considerations

Whatever dispute there may be concerning the wisdom or unwisdom of special tax inducements for industries there appears slight, if any, justification for excessive and discriminatory taxes upon specific industries, or for a general tax burden that will be so high as to constitute a compelling reason for relocation.

There is no denying, however, that the effect of the general tax burden upon industrial location has been grossly exaggerated. In most instances other factors will greatly outweigh tax considerations, but in situations where other considerations largely cancel out, a tax differential may very well be the marginal factor which will tip the scales.

Discriminatory taxes directed against specific industries, might have a potent effect on the industries affected.

The tax burden on any particular enterprise will be affected by variations in plant equipment, inventories, payroll, net income, gross income, and various other considerations. Because any comparative measure of the tax burden on industry generally is so subject to arbitrary assumptions its chief value is in the indication of general directions and extent rather than as an exact measure. Moreover, the problem is complicated by various potential factors affecting the tax burden, such as changes in the areas of governmental units, variations in school population, highway modernization programs, various types of public improvements, changes in the tax structure, improvements in assessing procedure, and numerous other uncertainties.

Direct Governmental Subsidies

Direct subsidies are less prevalent than tax-exemption subsidies and according to some economists are less "insidious."[26] Building sites, buildings, and even cash bonuses have been given. The writer has been unable to locate any overall survey of such governmental handouts.

Recent southern activities along these lines have been so widely publicized that it is something of a surprise to discover that city subsidization of industry has been widespread in Wisconsin, also that there has been some subsidization in New England, and at least scattered instances in other areas.

The most complete study in this field is *Subsidization of Industry in Forty Selected Cities in Wisconsin, 1930-1946*, by W. D. Knight. It would be helpful if similar studies were available for the other areas where subsidies have been granted. The following quotations are of interest:

> . . . The term "subsidization of industry" as used in this report, includes all types of financial assistance by means of which a community, acting through its municipal government or through a private group such as an industrial foundation, has induced an industrial establishment to locate within its limits and to provide employment to its residents. The inducements offered consist of the gift, outright or conditional, of buildings, sites or cash bonuses, the payment of moving expenses or repair and installation costs, the provision of buildings for low or nominal rents, tax concessions, the sale of plants or sites at low prices, the provision of services and facilities, and the financing of new enterprises through land contracts or the sale of securities. The element of subsidy or outright gift involved varies in amount from $100,000 or more in the earlier cases of gift or low rental of buildings to a negligible amount, or to nothing, in recent cases of the sale of sites at cost, or the financing of buildings on a profit basis.[27]

Some of the author's conclusions are:

> Reviewing the entire group of promotions since 1930, it must be concluded that they have largely achieved the amount of employment and payroll which was their original objective. It may be assumed, although it cannot be conclusively demonstrated, that the communities studied would not have obtained an equivalent amount of employment and payroll without the use of subsidization.
>
> . . . . . .
>
> With regard to municipal participation in industrial promotions and subsidization, it should first be stated that the cases covered in this report have clearly involved a public purpose, in the ordinary, if not in the legal, meaning of that phrase. The objective of each promotion seems clearly to have been the creation of industrial employment, together with payroll and tax revenues, which would either meet a real public need or make a definite contribution to community welfare. The projects were typically carried out with considerable publicity and a wide measure of public support.
>
> . . . . . .
>
> In regard to the amount and nature of the subsidization to be provided, the principal economic and practical consideration to be observed is that the subsidy should be so limited as not to exceed the costs of overcoming economic frictions and immobilities, or of accomplishing socially desirable objectives not fully reflected in the cost-price structure on which unsubsidized plant location and investment decisions are made. . . .

---

[26] Hoover and Ratchford, *op. cit.*, p. 379.

[27] W. D. Knight, *Subsidization of Industry in Forty Selected Cities in Wisconsin, 1930-1946* Madison: University of Wisconsin Bureau of Business Research and Service, 1947, p. 1.

In other words, if sound and economic promotions are to be achieved, subsidies must be so limited in size and nature as to facilitate and not hamper the operation of basic economic forces. [28]

Subsidies in other areas are indicated by the following quotations:

. . . In special hearings by the [National Industrial Relations] board it was amply demonstrated that the South is not the sole pursuer of the subsidy policy. The small New Hampshire towns of Farmington, Seabrook, Raymond and Nashua, and the Maine towns of Rumford and Bangor were accused of raiding Massachusetts, offering shoe manufacturers rent-free occupation of vacant factory buildings, tax concessions, healthy discounts from power bills, and even in one case the use of town trucks for moving purposes[29]

. . . Kansas in 1923 enacted legislation which permitted cities of the first class, with populations of less than 20,000, to create by means of a special tax a fund for the purpose of securing new industries. This law has been amended at times until at present all cities with populations under 40,000 may avail themselves of its advantages, with the approval of the voters. From 1939 until late 1953 only 34 cities of Kansas had approved the plan, and three of these had never levied the tax. Tax collections under the provisions of this law over the same period have amounted to approximately $352,360. Parenthetically it may be said that the statutes of the state of Kansas do not permit the granting of exemption from tax as a means of attracting industry.[30]

In 1946 the state of Minnesota constructed a $650,000 plant (to be operated by Continental Machines, Inc.) to convert Mesabi carbornate slate into pure iron powder. The contract gave the concern a 10-year lease with option to purchase the plant from the state. The contract also called for a royalty of one cent a pound to the state on the product. State authorities hoped that this would stimulate the development of a new industry within the state.[31]

The Mississippi BAWI plan has aroused the most attention. The plan first operated from 1930 to 1940. It was revived in 1944. The plan combines donation of buildings with tax exemption.

. . . The one distinctive feature of the plans was the strong state commission which closely supervised their operation. It investigated thoroughly all applicants for aid and approved all projects. Without doubt, it was instrumental in weeding out many unsound and unfit projects.[32]

Although considerable industrial expansion has occurred in Mississippi, it is not clear to what extent this has been due to the subsidy and to what extent to other factors, such as war developments, postwar industrial expansion, and migration of industry to the South generally.

Governor Hugh White, father of the BAWI plan, made the following statements in an advertisment appearing in *The New York Times* on September 19, 1952:

---

[28] *Ibid.*, pp. 192, 193, 195.

[29] Milton Derber, "Municipal Subsidy of Private Industry," *The Municipality*, XXXII, June, 1937, p. 137.

[30] Gordon F. Davis, *The Community Development Corporation in Kansas*, Lawrence: University of Kansas, School of Business, Bureau of Business Research, 1954, pp. 7-8.

[31] Public Administration Clearing House, Release No. 4, September 12, 1946.

[32] Hoover and Ratchford, *op. cit.*, *p.* 380.

Under the provisions of Mississippi's BAWI (Balance Agriculture with Industry) Act, political sub-divisions of the state—such as cities, towns, beats or counties—are authorized to vote industrial bonds for the purpose of purchasing land and constructing buildings for lease to new or expanding industrial enterprises.

The full faith, credit and resources of the political sub-division are pledged for payment of both principal and interest, and the total amount of all outstanding bonds cannot exceed 20% of the assessed value of all taxable property within the sub-division.

Since the original BAWI program was inaugurated, 70 industrial plants have been built with BAWI bonds at a total investment of $19,500,000. These plants currently employ 17,500 persons and provide $35,000,000 in annual payrolls.

It is obvious that the BAWI program has contributed greatly to the industrial development and general welfare of the State of Mississippi. On the other hand, it has also given sound industrial enterprises an opportunity to enjoy the competitive advantages which Mississippi has to offer. These advantages, including the financial benefits of Mississippi's exclusive BAWI plan, are outlined below:

LOW PLANT RENTAL

BAWI bonds can be marketed with a rate as low as 2%; and since an industry's rental on a BAWI plant is based on interest and amortization of the bonds, rental rates are lower than the average for equal facilities.

100% TAX DEDUCTION

A company leasing a BAWI plant can deduct its entire rental charge as business expense before taxes; whereas in the case of a company-owned plant, the only allowable deductions are annual depreciation, plus any interest on borrowed money.

Alabama, Illinois, Kentucky, Louisiana, Nebraska, and Tennessee have also passed laws permitting the use of municipal borrowing power to induce industrial location, but except in Louisiana and Mississippi the bonds are revenue, rather than general obligation, bonds and are payable solely out of income received from rental of the building.

The use of revenue bonds for such purposes has been roundly denounced from many sides. The Investment Bankers Association adopted a resolution in December, 1951, condeming industrial bonds as a menace to the municipal securities field because increasing municipal debt to aid private industry will hurt municipal credit in the long run. The Municipal Finance Officers Association expressed strong disapproval in June, 1952. The action of the bond houses acted as a powerful damper on the flotation of large issues.[33]

An informative article on this subject, replete with numerous citations, appeared in the *Harvard Law Review*, March, 1953. The writer concludes: "It would seem, on balance, that these programs contain defects which outweigh their advantages and thus are not a desirable device to further regional industrial development.[34]

There has been some agitation for amendment of Section 22(b) (4) of the Internal Revenue Code in order to subject the interest from such bonds to federal income taxation.[35]

A recent Maryland law authorized Crisfield (population 3,688) to sell up

---

[33] "Dixie Dilemma," *Barron's*, August 18, 1952, pp. 15-16.

[34] "Incentives to Industrial Relocation: The Municipal Industrial Bond Plans," p. 909.

[35] *See* statement by Harry W. Wolkstein before House Committee on Ways and Means, on August 6, 1953.

to $100,000 of general obligation bonds for land and buildings to be leased to industries.[36] Similar legislation has been introduced in legislatures in other sections of the country.

The governmental industrial subsidy practice has been severely criticized by prominent southern economists and by other writers in the area as well as elsewhere. Critical statements such as the following appear from time to time in the *Tennessee Industrial Planning Newsletter*, published by the Industrial Development Division of the Tennessee State Planning Commission:

> This Division, as a matter of official policy, always has looked with disfavor upon the subsidization of new industry by community groups, and especially when tax exemption and other forms of public subsidization are involved.
>
> . . . . . .
>
> The need for modern industrial space which can be leased in Tennessee towns and cities presently is very critical and, to a limited extent, municipal leadership may be necessary in providing such space. Nevertheless, we believe that, in the main, the financing and construction of industrial space should be left to private interests of the community. Cities and towns have enough costs to meet in supplying public services to new industry without the added burden of tax exemption, bond issues for buildings, or other financial aids or concessions.[37]
>
> Southern industrialization is soundly based, and the current substantial expansion of this region is nourished by more than tax exemptions and publicly financed buildings, the "lures" over which the New England leaders profess so much concern. Subsidization of industry has played a relatively minor role in the South's development and it certainly is not the true reason for the migration of mills and factories out of New England. Any tax saving, real or imagined, that industry obtains in the South is not a prime determinant in the decisions of managements to locate in this region. Let those of New England seek out the real causes of their current situation for, in the words of the Rhode Island Textile Association, "It isn't the buildings we occupy which cause our mills to leave."[38]

Self-Improvement Programs

Rather than relying solely on persuasion or offering tax inducements or other subsidies a community might undertake a self-improvement program by bolstering up its weak points and attempting to become the type of community a highgrade self-supporting industry would prefer as a location. This type of approach has received far too little attention, but it is being given increasing recognition.[39]

The self-improvement objective has been stressed by some of the more clear-headed development agencies. For example, it was pointed out in the Tennessee State Planning Commission *Industrial Planning Newsletter* of June, 1950, that a Tennessee city had failed to get an industry because of the low standard

---

[36] Federal Reserve Bank of Richmond, *Monthly Review*, September, 1953, p. 5.

[37] March 1, 1953, pp. 1, 2.

[38] March 1, 1952, p. 2.

[39] A few days after the above sentences were drafted, the writer was interested to hear Mr. George S. Olive, who is a member of the Tax Institute Board of Directors and is also active in the Indianapolis Chamber of Commerce, say that 20 years ago the Chamber decided that good governmental processes, reasonably fair taxes, and good labor relations were more important than subsidies and it set to work on a self-improvement program for that city.

of city and community services—such as low educational facilities, no recreation except a picture show and pool rooms, slums, no air transportation, no first-class dining room, unpainted homes, and rundown business houses. The manufacturer's taxes would have been only $440 in the rejected city, whereas in the cities ranking second and third on the list, they would have been $46,000 and $75,000, respectively. The company officials indicated that they desired to carry a fair tax load, otherwise "they did not see how the community could furnish proper schools, recreation, sewers, and city services for their employees."

Robert B. Garrabrant, Secretary, Industrial Council, Urban Land Institute, has said: "The provision of municipal services is the least controversial form of inducement, since it is the normal responsibility of the government to provide these anyhow.[40]

First and foremost, it is important that a community take stock of its assets and liabilities. One obviously primary requirement is suitable sites and the safeguarding of those sites through zoning or acquisition. This need is emphasized in a recent publication of the Urban Land Institute, as indicated in the following quotations:

> There is one other requisite, however, that heretofore has been taken as a matter of course, but which may well become a serious problem to industrial expansion. That requirement is good industrial sites on which to place the factories of the future.
>
> . . . . . .
>
> . . . The modern industrial plant requires much more space per unit of output or of employment than used to be the case. Horizontal movement of goods in process is cheaper than vertical movement; hence the trend to one-story construction. Automation frequently involves tremendous machines; hence the trend to more floor space per worker. More and more employees are driving to work; hence the need for large on-site parking areas. Management is becoming more public relations conscious; result, better architecture and more site landscaping. These and other trends all translate themselves into a requirement for larger sites. A recent plant move exemplifies the trend. The old plant was a seven-story building occupying one city block. The new plant is a one-story factory with 42,000 square feet of enclosed space on 28 acrea of land.
>
> . . . . . .
>
> This problem is a real challenge for planners, for civic leaders, and for businessmen with a stake in the future welfare and prosperity of the community, as well as for the industrialist. They should take a realistic inventory of the level, firm, well-located, and otherwise suitable land actually available in the community for industrial development. They should protect and conserve this land for future industrial use through adequate protective zoning and strong ownership. And, if the reserve is inadequate, they should develop and protect new plant sites within the economic orbit of the community.[41]

A water supply that is adequate for both industrial and residential uses is another prime consideration. Transportation facilities, police and fire protection, sewage disposal, public health services, education, recreation, and the whole gamut of governmental services are all important considerations. Honest and efficient government and active citizen responsibility are substantial assets.

---

[40] *The Community and Industrial Development*, Technical Bulletin No. 21, Washington, D. C.: Urban Land Institute, 1953. p. 15.

[41] Robert B. Garrabrant, "Wanted: Sites for Industries," *Urban Land*, XIV, October, 1955, pp. 3-4.

Governor Abraham R. Ribicoff has been exhorting Connecticut cities to help themselves. He said to the Putnam Rotary Club on January 31, 1956: "Before the floods Putnam was a town definitely on the downgrade. The community was on the skids and had no place to go but down. Now, you have a great opportunity to become one of the state's outstanding towns by adopting a broad-gauged, imaginative and practical program of redevelopment."[42]

On February 14, he told the merchants of Norwalk: "It's time that Norwalk put on a new face and emerged from the nineteenth century into the mid-twentieth century."[43]

In the case of some of the larger and older cities, urban redevelopment is a major manifestation of self-improvement.[44] Some of the cities have made notable progress.

Industrial Foundations

The industrial foundation, or community development corporation, is a fairly recent phenomenon. Such a corporation has been defined as

> a community-financed organization set up to carry on and to expand services of the type that chambers of commerce and related groups ordinarily provide. Its primary purpose is to bring new industrial enterprises into the community, but frequently manufacturing or processing firms already established are helped to expand, or are assisted in maintaining operations[45]

These organizations are established by citizens who see the need of working together for promotion of their community. Chamber of commerce officials, bankers, and businessmen, are usually active in such groups. Some of the corporations are organized on a profit and some on a nonprofit basis.

Assistance offered by community development corporations ranges from outright financial gifts to proffering of advice by local businessmen, the most frequent form of aid being varying degrees of financial help in securing industrial sites or buildings, or both. An element of subsidy becomes apparent in nearly all of these activities. Factory buildings are offered at low rental and cash loans made at a lower rate and in greater amount than existing financial institutions will undertake, as the development corporation will usually operate on a nonprofit basis. Needs of the individual firm seeking assistance usually govern the kind and the amount of aid granted.

The methods used by the development corporation in carrying out its functions contribute greatly to its effectiveness. Unlike municipalities, it is not limited by legalistic concepts of what constitutes public purpose, and it will usually have definite authority to make to interested industrialists with little delay, commitments involving substantial financial liabilities. Furthermore, it is in a position to anticipate the needs of manufacturing firms and to prepare to meet these demands expeditiously.

The varied activities of development corporations to date may be grouped under the following headings: (1) acquiring sites (2) erecting buildings (3) making loans and investments (4) giving information, advice, and counseling and (5) other activities.[46]

Another form of activity of the local development corporation is the providing of

---

[42] *The New York Times*, February 1, 1956.

[43] *Ibid., February* 15, 1956.

[44] See *Redevelopment for Industrial Use*, by Robert B. Garrabrant, Technical Bulletin No. 25, Washington, D. C.: Urban Land Institute, 1955.

[45] Davis, *op. cit.*, p. 2.

[46] *Ibid.*, pp. 8-9.

subsidies to prospective manufacturers. The subsidy may appear in the form of a sum of money directly conferred; it may be in the form of donated sites or buildings, or both; it may be free utilities; annual cash subsidies may be granted; the development corporation may pay the difference between the seller's price for a site and the price the prospective manufacturer is willing to pay; or the subsidy may appear in any one of numerous other forms. The amount of such subsidy granted usually depends upon the strength of the community's desire for added payrolls and the future prospects of the subsidized industry. The form taken by the subsidy varies with the community.[47]

A study[48] by the Tulsa Chamber of Commerce showed that in 1948 over 40 per cent of the corporations studied offered some form of subsidy. A third offered free sites; 20 per cent obtained some form of tax exemption for new industries; 12 per cent offered free use of buildings; and 9 per cent some form of free utility service.

Two of the oldest foundations are the La Crosse (Wis.) Industrial Association founded in 1910, and the Louisville (Kentucky) Industrial Foundation, established in 1916. There has been a rapid increase in the number of such foundations in postwar years. The Tulsa Chamber of Commerce obtained information concerning 72 such corporations that were active in 1948. The Chamber of Commerce of the United States compiled a list of 200 such organizations in 1953. In the July-August, 1955, issue of *Industrial Development*[49] more than 700 organizations were listed. Most of these foundations are found in small communities. Some of the states in which they are particularly numerous are Arkansas, Georgia, Kansas, Missouri, New Hampshire, Oklahoma, Pennsylvania, and Tennessee.

The role of the industrial foundation in supplying capital to small business enterprises appears to be an important one.[50] This development is of particular interest in view of the widespread contention that it is difficult for small businesses to obtain the necessary capital and therefore the federal tax system should be designed to favor small business.[51]

According to *Industrial Development*[52] the average local development corporation probably has a

fund of about $100,000 and finances only a few plants. Moreover, the fund is used as a supplement to capital obtained through banks and other sources.

---

[47] *Ibid.*, pp. 15-16.

[48] *An Analysis of Industrial Foundations*, 1948.

[49] Published by Conway Publications, 3846 Hillcrest Avenue, North Atlanta 19, Georgia.

[50] For example, see "Bank of Last Resort—Study of a Friend of Small Business: The Development Credit Corporation," by Richard Rutter, *The New York Times*, January 5, 1956.

[51] Or at least that any present tax advantages to large enterprises should be nuetralized. This subject is considered pro and con in Tax Institute Forum Pamphlet Number Eight on "Should Federal Tax Policy Encourage the Development of Small Business?" This pamphlet is now in press. Contributers are Paul E. Alyea, University of Alabama, Roland M. Bixler, President, J-B-T Instruments, Inc., William J. Franz, W. J. Franz & Company, Harley L. Lutz, Tax Consultant, National Association of Manufacturers, and Charles W. Proctor, Proctor & Howard.

[52] *Op. cit.*

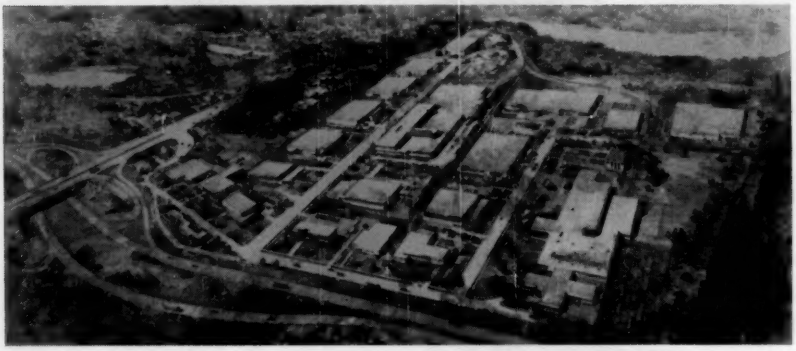
In the typical organization a share of stock costs about $100 and there are several dozen shareholders. In many cases there is no intention to make a profit but in some there is a definite profit motive.

The protection of good industrial sites is another particularly important function of the industrial foundation.

There is not space in this publication to evaluate the achievements of the industrial foundations. There does appear to be considerable evidence, however, that they have operated effectively. For example, the local development corporations in the New Hampshire cities of Manchester in the thirties and Nashua in the forties showed dramatic results in meeting the crises resulting from the closing or migration of their largest enterprises. In each case the city made a complete economic recovery.[53]

Industrial Parks

Another phenomenon that is emerging in the industrial development scene is the so-called industrial park or industrial center. There is some overlapping of industrial foundations and industrial parks, but they represent basically different emphases. The industrial foundation operates primarily for community welfare and is ordinarily carried on within the community. Industrial parks are frequently private profit-making ventures, but in some cases they have been established by industrial foundations.



Cabot, Cabot & Forbes Co.

THE NEW ENGLAND INDUSTRIAL CENTER
Needham, Masaschusetts

Such a center has been defined as

an area developed and parceled according to a comprehensive plan with various facilities such as roads, railroad spurs, water, and power lines already installed before it is made available to a number of concerns as a location for their plants. It is

[53] Davis, *op. cit.*, pp. 16-18.

a planned group of light manufacturing and distributing firms in one area. It may be considered as the industrial equivalent of the restricted private residental development.

The developers of an industrial center maintain close control over practically all phases of the use of the land. They provide for orderly and attractive growth, minimize congestion, and aim to increase the value of the property. Sometimes the industrial districts supply architectural, engineering, and construction services for concerns locating in the district and supervise all the details involved in building a plant. The developers may even arrange for financing new plants.[54]

There appears to be considerable similarity between the methods of establishing a shopping center and an industrial center.

It has been estimated that there are 150 planned industrial districts in the United States.[55] These districts have been established by real estate interests, railroads, utilities, and regional and local development corporations.

Several factors in recent years have tended to spur this kind of development. One has been Washington's policy of decentralization implemented by the device of rapid tax write-offs. The broadening of markets and the growth of competition also have furthered the trend, as has the shift away from multi-story factory operations.[56]

Some of the industrial parks that have been established are listed below.

Name	Year	Location	No. of Acres	Founders
Fairfax Industrial District	1923	Kansas City area	2,000	Kansas City Industrial Land Co. (a subsidiary of Union Pacific)
Airlawn Industrial District	1945	Dallas area	250	Railroad (Missouri-Kansas-Texas) and private investor
.....	1946	Charleston area	...	Charleston Development Board
.....	....	Charleston area	...	Charleston Development Board
Peachtree Industrial Boulevard	....	Atlanta area	...	Robert M. Holder, private investor
Bohannon Industrial Park	....	Freeway between San Francisco and San Jose	...	David D. Bohannon realty firm
Trinity Industrial District	1946	Dallas area	...	Industrial Properties Corp. (group of landowners with backing of banks)
Bergen County Industrial Terminal	1947	Teterboro, N. J.	...	Alexander Summer Industrial Service Co. (real estate concern)
Roosevelt Field, Inc.	....	Long Island, N. Y.	...	Webb & Knapp, Inc. (real estate concern with backing of insurance companies and banks)
Cambridge Parkway Development	1950	Cambridge, Mass.	5	Cabot, Cabot & Forbes

[54] Federal Reserve Bank of Boston, "Planned Industrial Centers," *Monthly Review*, February, 1953, p. 2.

[55] Norris Willatt, "Industrial Parks," *Barron's*, October 10, 1955, p. 13.

[56] *Ibid.*, p. 13.

Name	Year	Location	No. of Acres	Founders
West Cambridge Research Center	1953	Cambridge, Mass.	10.3	Cabot, Cabot & Forbes
Natick Industrial Center	1955	Natick, Mass.	64	"
Newton Industrial Center	1948	Newton, Mass.	46	"
Peabody Industrial Center	1955	Peabody, Mass.	125	"
Waltham Industrial Center	1954	Waltham, Mass.	230	"
New England Industrial Center	1953	Needham, Mass.	140	"
Burlington Industrial Center	1956	Burlington, Mass.	40	"
.....	1955	Maybrook, N. Y.	650	Regional Industrial Development Committee of Orange and Ulster Cos.
Eddystone Industrial Center		South of Philadelphia ...		Albert J. Grosser Co.
Fort Washington Industrial Park	1955	On Pennsylvania Turnpike north of Philadelphia	300	Delaware Valley (Properties, Inc. (realtors)

The Role of the Utilities

The power companies are particularly active in industrial development. Their role has been described as follows by Charles D. Laidlaw, Community Planning Representative of The Cleveland Electric Illuminating Company:

> If your town needs a spark-plug force to get sound development planning under way, or if you need a catalyst to turn plans on paper into buildings on the ground, perhaps you should turn to your local electric utility. For more and more utilities are taking a broad look at community planning and development as being essential to their own profitable well-being. The basic reason is simple. An electric utility gets its revenue by selling power in a geographically limited area. So anything which a profit-motivated electric utility can do to guarantee ever-growing sales revenue is worthwhile. And evidence that optimum regional development means optimum regional power sales is growing rapidly—thus bringing utilities into the planning fold.
>
> . . . . . .
>
> . . . On the development promotion front, modern utilities step right into the fighting area—working aggressively to attract desirable industrial, commercial and residential growth to their areas.[57]

Mr. Laidlaw's point of view is dramatically reinforced by the ads and news stories continually appearing in the public press, as evidenced by the following recent headlines in *The New York Times* and *Barron's;*

> Expansion of Industry and Population In Arizona Benefiting Tucson Gas
> BIG POWER PLANT PLANNED IN SOUTH
> HUGE RISE IS SEEN IN POWER DEMAND
> Utility Executives Visit New Idaho Plant,
> Part of Vast Expansion Program in West
> Colorado Utility Plans Big Expansion
> To Match State's Industrial Growth
> Industrial Exapnsion Brightens
> Outlook for New Hampshire Utility
> Utilities Hard Put to Keep Up With Power Needs

[57] "Electric Power Companies Spark Sound Planning," *Urban Land*, XIV, December, 1955, p. 3.

Battle of the Ads

On January 3, 1956, and in Sunday papers since then, *The New York Times* has carried hundreds of ads soliciting new plants. Some of the key phrases appearing in these ads are reproduced below. These ads range in size from a few inches to a full page and are replete with photographs, sketches, maps, tricky layout, and other eye-appealing features.

Some idea of the general hue and clamor can be gathered from the advertisements listed below. It is interesting to see that few of them offer special tax favors, although several comment on a favorable tax structure. The following anonymous ad is an example of the give-away type of program, which advertises mainly poverty of resources and ideas.

> FREE RENT
> and TAXES
> for 10 years
> SMALL GEORGIA TOWN
> population 1100[58]

State and local governmental agencies have been particularly active in advertising, as indicated by the following:

Advertiser	*Key Phrases*
Montana State Planning Board	*Explore* MONTANA'S *Industrial Opportunities* (full page containing following paragraph.) TAX STRUCTURE Montana is a property tax state. Stability of the tax structure is attested to by the fact that per capita tax payments of approximately $66.00 are below the national average of $72.00, and are second lowest in the Pacific Northwest and Rocky Mountain States, assessed valuations of real property for tax purposes have remained constant for many years and there has been no statewide general levy on real property duling the last 14 years. A low flat rate tax is levied on corporation income and a low virtually proportional tax is levied on personal income.
South Carolina State Development Board	*Industrial South Carolina On the March* The Palmetto State Has Many Attractions for Industry
West Virginia Industrial and Publicity Commission	The advantages that make WEST VIRGINIA "The NATURAL LOCATION for Industry"
Mercer County Industrial Commission	MERCER COUNTY New Jersey center of MANUFACTURING — DISTRIBUTION — RESEARCH
New Brunswick Industrial Commissioner	MIDDLESEX COUNTY, N. J. near the crowd but not in it
Paterson Industrial Commission	The city with the PLUS advantages locate in PATERSON, N. J.

[58] *The New York Times*, February 19, 1956.

THE PLANT, THE OFFICE, AND THE CITY

Advertiser	*Key Phrases*
New Jersey State Promotion Section 951-23	Look at NEW JERSEY it offers so much to your business in the Middle of America's Money Belt!
Delaware State Development Department	DELAWARE *Offers Industry Every* AD-VANTAGE! The first State of the Union for Industrial Opportunity!
Missouri Division of Resources & Development	$400,000 PLANT BUILT BY MISSOURI FOR HAT CORP. OF AMERICA *Missouri Will 'Tailor-Make" a Plant For You, Too!*
North Carolina Department of Conservation & Development	ELECTRONICS COMPANIES SPARK INDUSTRIAL DEVELOPMENT IN NORTH CAROLINA
Newport, Vermont, City Publicity Committee	NEWPORT, VERMONT *"Gateway to Quebec"*
Georgia's Department of Commerce	GEORGIA Treasure Trove of Natural Resources
Massachusetts Department of Commerce	Our Fourth Dimension . . . We commend this important element of *livability* in Massachusetts to industrialists with plant location problems.
South Carolina State Development Board	What makes a profitable plant location? Our young people plan a *future* in their own state . . . They can help you succeed in South Carolina. (Picture of photogenic young people.)

Seductive ads also emanated from state and local development corporations, as indicated by the following:

Florida Development Commission	*The Sunshine State* FLORIDA (full page ad) (also special magazine section "Florida's Industrial Growth Is Phenomenal")
Rhode Island Development Council	*Our Greatest Asset . . . the SKILLS of our people* (full page)
Pinellas County Industy Council	In INDUSTRIAL Florida . . . Clearwater • St. Petersburg • Tarpon Springs . . . Offer Your Industry *MORE!*
Vermont Development Commission	A Healthy Climate for Better Business
Rhode Island Development Council	RHODE ISLAND. Industry's Ideal State New Industrial Plants • Modern Industrial Parks
Southern New Jersey Development Council	WATER • *Southern* New Jersey Has It . . .

There were also a number of state and local Chamber of Commerce ads. Industrial parks advertised as follows:

Metropolitan Industrial Center	*NEED A NEW PLANT? . . . Here's how we help you obtain it . . .*

TAX POLICY

Advertiser	*Key Phrases*
Box Z7709 Times Bristol Development Co. (R. I.)	WHY WISH—THINK? We'll Build You a plant . 300,000 sq. ft. FOR LEASE Will divide to suit your requirements
Alexander Summer Co. (Teaneck, N. J.)	CHOICE PLANT SITES 2 acres to 150 acres Lease—Lease Back—Sale • Build to Suit 3 TOP INDUSTRIAL CENTERS in NORTHERN NEW JERSEY

The power companies are actively advertising:

General Public Utilities Corporation	We've got the right combination . . . for your new plant site!
Public Service Electric and Gas Company	Prosperity . . . *sure!* Know why? . . . You would be, too, if you located your plant in New Jersey, the Crossroads of the East!
Georgia Power Company	What do you require in a factory site? YOU NAME IT . . . WE'LL DELIVER IT
West Penn Electric System	PLANTS Ready to Occupy —Or Made to Order

Railroads and banks are also advertising industrial locations:

Louisville & Nashville Railroad	The *PRODUCTION LINE* OF THE SOUTH will welcome the opportunity to assist you in your industrial site selection efforts . . .
Pennsylvania-Reading Seashore Lines	Before You Locate Get The Facts On These 3 Great *INDUSTRIAL SITES*: Pedricktown, Millville, Atlantic City
Baltimore & Ohio Railroad [ad in *Harvard Business Review*, November-December, 1955]	136 thousand manufacturing plants must be right! IN B&O's LAND OF BIG OPPORTUNITIES
Union Pacific Railroad [ad in *Harvard Business Review*, November-December, 1955]	*movement* Essential to Industry
Equitable Security Trust Company	far-sighted industrialists are choosing Delaware
Burlington (Vt.) banks	At Your BANKING SERVICE in Northern Vermont
Montpelier (Vt.) banks	We Will Spend $300,000 To Build Your NEW PLANT in Montpelier, Vermont

Industrial location consultants add their voices to the general chorus:

Robert and Company Associates	If You're Looking for a Southern Plant Site Let our more than 40 years experience in this expanding region help speed your project . . . and save the time of your key executives.

Advertiser	*Key Phrases*
Fantus Factory Locating Service	The NEW SCIENCE of PLANT LOCATION Today, a team of specially trained experts is necessary to analyze scientifically all the tangible and hidden factors involved in plant expansion.
The Austin Company—Engineers and Builders [ad in *Harvard Business Review*, November-December, 1955]	Somewhere . . . a new Plant Location will be chosen. . . . One practical approach that is being widely adopted is to take advantage of an *impartial*, "outside" study —which explores a broad, strategic area; avoids the pitfalls of attractive inducements; objectively balances engineering requirements and the economic demands of the business; factually pinpoints the location which best meets all requirements. . . .

The Battle of the Ads does not stop at national boundaries. Our friend and neighbor on the north has also entered into the spirit of the contest. "Quebec Where dreams are coming true . . . *Can You Guess the Number* of U.S. Branch Establishments in Canada?" inquires the Bank of Montreal in a half page ad in *The New York Times* of January 5, 1956. In case you can't, the Bank proffers the information that United States companies have 3,235 subsidiaries in Canada. More would be welcomed.

Our friends from overseas also cast longing eyes at United States industrial enterprises. Advertisements such as the following appeared in the January 4, 1956 issue of *The New York Times:*

FACTS ABOUT MANUFACTURING IN BELGIUM (full page)

LOOK CLOSER AT SPAIN for new business opportunities (full page)

So many helpful hints have been offered to communities on how to snare the new plant and resort has been had to so many appealing ads and other mechanisms, and there is such a general impression that the prospect is cagey and secretive concerning his plans, that it was a matter of great surprise to the Tax Institute research staff to discover in the *Times* of February 19 a quarter page ad which stated:

> INTERNATIONALLY KNOWN ENGINEERING COMPANY
> Producers of aircraft equipment
> WILL due to expansion
> LOCATE an additional, permanent facility in a large eastern seaboard city
> We are soliciting detailed information from chambers of commerce, development corporations and industrial commissions on suitable locations.

The choice of a plant location is a matter of vital importance to the manufacturer as well as to the community and the developer. Something more than fulsome self-praise, or a policy of wining and dining, or even the offering of injudicious tax and subsidy baits, is in order for the community seeking new enterprise.

ACKNOWLEDGMENTS

(Continued from page 2)

Permission to quote has been received from The Macmillan Company, *Harvard Law Review*, *Barron's*, National Association of Assessing Officers, *National Tax Journal*, Urban Land Institute, *Monthly Review* of Federal Reserve Bank of Boston, University of Wisconsin Bureau of Business Research and Service, University of Kansas Bureau of Business Research, League of Wisconsin Municipalities, Conway Publications, *Tennessee Industrial Planning Newsletter*, and Messrs. Calvin B. Hoover, B. U. Ratchford, William D. Ross, Milton C. Taylor, Gordon F. Davis, and W. D. Knight.

Photographs are reproduced through the courtesy of The First National Bank, Lawrenceburg, Tennessee; Nashua-New Hampshire Foundation, and Cabot, Cabot & Forbes.

We wish further to express appreciation to the many other publishers who have supplied publications offering helpful background material that has not been directly quoted.

This the third in a series of issues relating to current economic and sociological trends and their impact on municipal finance. The April-May, 1955 issue of TAX POLICY was on "Modern Merchandising and Municipal Finance." The August-September issue was on "The Plant, The Office, and The City. Part I. Industrial Location Trends and Factors."

This issue on "Industrial Location Impacts" represents Part II of "The Plant, The Office, and The City." Part III on "The Office and The City" will appear in the June issue of TAX POLICY.

It was orginally contemplated that the treatment of "The Plant, The Office, and The City," would include a discussion of "The Role of the Federal Government in Industrial Location." It has become apparent, however, that this is such a complex topic with so many ramifications that it will have to be handled separately. It is planned, therefore, that an issue of TAX POLICY will be devoted to this topic some time during the summer.